# Changes in the tax system from 1 April 2016

Various changes in the tax system came into effect on 1 April 2016 by virtue of the Special Goods Tax Law (Pyidaungsu Hluttaw Law No. 11 dated 18 January 2016) and the Union Tax Law 2016 (Pyidaungsu Hluttaw Law No. 22 dated 25 January 2016). The main changes are summarized below.

**1. Introduction of a special goods tax**

Certain goods - which so far had been subject to commercial tax at rates between 5% and 120% - are now subject to a newly introduced special goods tax. Special goods tax arises if these goods are (i) produced in the country, (ii) imported or (iii) exported. The tax amounts are as follows:

| Sr. no. | Special goods | Special goods tax on domestic production | Special goods tax on import | Special goods tax on export |
|---|---|---|---|---|
| 1. | Cigarettes produced in the country (20 sticks per pack) | ▪ Ks. 3 per stick (if sales price per pack is up to Ks. 400)<br>▪ Ks. 8 per stick (if sales price per pack is Ks. 401-600)<br>▪ Ks. 12 per stick (if sales price per pack is Ks. 601-800)<br>▪ Ks. 15 per stick (if sales price per pack is above Ks. 800) | N/A | 0% |
| 2. | Imported cigarettes | N/A | 120% of the landed costs | N/A |
| 3. | Tobacco; cured Virginia tobacco; cheroots; cigars; pipe tobacco; betel chewing preparation | 60% of the sales price | 60% of the landed costs | 0% |
| 4. | Liquor produced in the country | ▪ Ks. 56 per litre (if sales price per litre is up to Ks. 500)<br>▪ Ks. 169 per litre (if sales price per litre is Ks. 501-1,000)<br>▪ Ks. 281 per litre (if sales | N/A | 0% |

| Sr. no. | Special goods | Special goods tax on domestic production | Special goods tax on import | Special goods tax on export |
|---|---|---|---|---|
| | | price per litre is Ks. 1,001-1,500)<br>▪ Ks. 394 per litre (if sales price per litre is Ks. 1,501-2,000)<br>▪ Ks. 506 per litre (if sales price per litre is Ks. 2,001-2,500)<br>▪ Ks. 619 per litre (if sales price per litre is Ks. 2,501-3,000)<br>▪ Ks. 731 per litre (if sales price per litre is Ks. 3,000-3,500)<br>▪ Ks. 844 per litre (if sales price per litre is Ks. 3,501-4,000)<br>▪ Ks. 1,013 per litre (if sales price per litre is Ks. 4,001-5,000)<br>▪ Ks. 1,238 per litre (if sales price per litre is Ks. 5,001-6,000)<br>▪ Ks. 1,463 per litre (if sales price per litre is Ks. 6,001-7,000)<br>▪ Ks. 1,688 per litre (if sales price per litre is Ks. 7,001-8000)<br>▪ Ks. 1,913 per litre (if sales price per litre is Ks. 8,001-9,000)<br>▪ Ks. 2,138 per litre (if sales price per litre is Ks. 9,001-10,000)<br>▪ Ks. 3,375 per litre (if sales price per litre is Ks. 10,001-20,000)<br>▪ 60% of the sales price (if sales price per litre is | | |

| Sr. no. | Special goods | Special goods tax on domestic production | Special goods tax on import | Special goods tax on export |
|---|---|---|---|---|
| | | above Ks. 20,000) | | |
| 5. | Imported liquor | N/A | 60% of the landed costs | N/A |
| 6. | Beer | 60% of the sales price | 60% of the landed costs | 0% |
| 7. | Wine produced in the country | ▪ Ks. 50 per litre (if sales price per litre is up to Ks. 500)<br>▪ Ks. 150 per litre (if sales price per litre is Ks. 501-1,000)<br>▪ Ks. 250 per litre (if sales price per litre is Ks. 1,001-1,500)<br>▪ Ks. 350 per litre (if sales price per litre is Ks. 1,501-2,000)<br>▪ Ks. 450 per litre (if sales price per litre is Ks. 2,001-2,500)<br>▪ Ks. 550 per litre (if sales price per litre is Ks. 2,501-3,000)<br>▪ Ks. 650 per litre (if sales price per litre is Ks. 3,000-3,500)<br>▪ Ks. 750 per litre (if sales price per litre is Ks. 3,501-4,000)<br>▪ Ks. 900 per litre (if sales price per litre is Ks. 4,001-5,000)<br>▪ Ks. 1,100 per litre (if sales price per litre is Ks. 5,001-6,000)<br>▪ Ks. 1,300 per litre (if sales price per litre is Ks. 6,001-7,000)<br>▪ Ks. 1,500 per litre (if sales price per litre is Ks. 7,001- | N/A | 0% |

| Sr. no. | Special goods | Special goods tax on domestic production | Special goods tax on import | Special goods tax on export |
|---|---|---|---|---|
| | | 8000)<br>▪ Ks. 1,700 per litre (if sales price per litre is Ks. 8,001-9,000)<br>▪ Ks. 1,900 per litre (if sales price per litre is Ks. 9,001-10,000)<br>▪ Ks. 3,000 per litre (if sales price per litre is Ks. 10,001-20,000)<br>▪ 50% of the sales price (if sales price per litre is above Ks. 20,000) | | |
| 8. | Imported wine | N/A | 50% of the landed costs | N/A |
| 9. | Teak, hard wood logs and teak and hardwood cuttings of 10 square inches and above | 25% of the sales price | 25% of the landed costs | 50% of the sales price |
| 10. | Jade, rubies, sapphires, emeralds, diamonds and other precious stones | 20% of the sales price | 20% of the landed costs | 20% of the sales price |
| 11. | Jewelry made from jade, rubies, sapphires, emeralds, diamonds or other precious stones | 5% of the sales price | 5% of the landed costs | 5% of the sales price |
| 12. | Pickup vehicles above 1800 CC, light vans, saloons, sedans and light wagons, estate wagons and coupés | 25% of the sales price | 25% of the landed costs | 0% |
| 13. | Kerosene, petrol, diesel, aviation jet fuel | 5% of the sales price | 5% of the landed costs | 0% |

| Sr. no. | Special goods | Special goods tax on domestic production | Special goods tax on import | Special goods tax on export |
|---|---|---|---|---|
| 14. | Aviation jet fuel used for outbound aircraft | 0% | 0% | N/A |
| 15. | Natural gas | 8% of the sales price | 8% of the landed costs | 8% of the sales price |
| 16. | Special goods sold to travellers in duty free shops or on board of an outbound vessel or aircraft; special goods of domestic or international donors imported or domestically produced for social affairs, religion, health or education | 0% | 0% | N/A |
| 17. | Special goods temporarily imported for re-export | N/A | 0% | 0% |
| 18. | Special goods imported by persons who are tax-exempt according to international law or diplomatic conventions | N/A | 0% | N/A |

"Sales price" is either (i) the actual sales price ex factory or (ii) a price estimated by the Director General and the Management Committee of the Inland Revenue Department, whichever is higher.

"Landed costs" are the sum of the price specified by customs law for imported goods (i.e. either the actual purchase price or a price estimated by the customs department), customs duty and unloading expenses.

Special goods tax for goods produced in the country has to be paid by the manufacturer within 10 days after the end of the month in which they were sold. The manufacturer furthermore has to submit monthly returns. With regard to some special goods (e.g. cigarettes and liquor), it is to be expected, however, that the IRD will sell revenue stamps which the manufacturer will have to affix to the products.

In case of contract manufacturing, “manufacturer” is the principal and not the service provider executing the order.

Small manufacturers of tobacco, cheroots and cigars are not subject to special goods tax if their total sales proceeds do not exceed Ks. 20,000,000 in a financial year.

Special goods tax on imported goods is collected by the customs department from the importer together with customs duty.

It is to be hoped that if special goods are produced for export, a clear system will be put in place that will allow the manufacturer to sell the goods free of special goods tax (with the exception, of course, of those special goods for which the law specifically provides that the special goods tax rate is not 0%).

The law provides for the possibility to set off input special goods tax with output special goods tax, but further implementing regulations will probably be required.

There are severe penalties for possessing special goods for which no tax was paid: These goods may be confiscated and a fine of 100% of the value of the goods may be imposed. These penalties are unfortunately not restricted to manufacturers, importers and exporters of special goods (i.e. to those persons who are responsible for paying the special goods tax), but apply to anybody. This means that e.g. wholesalers and retailers of special goods have to check whether their suppliers paid the tax. Furthermore, manufacturers of special goods probably have to seek cooperation with the tax authorities to avoid being accused of “possessing special goods for which no tax was paid”: It is perfectly legal for a manufacturer to produce special goods and then keep them untaxed in a warehouse as special goods tax only has to be paid after the goods are sold, but of course this is a situation which may give rise to misunderstandings.

In addition to special goods tax, commercial tax applies to the domestic production and subsequent sale and to the import of special goods; the commercial tax rate is 5%. Furthermore, 5% commercial tax applies if special goods are resold. The IRD seems to be of the opinion that the special goods tax is part of the commercial tax base, thus inflating the commercial tax base (http://tinyurl.com/ha548qn).

It is understood that the Ministry of Finance is presently working on regulations implementing the Special Goods Tax Law.

**2. Changes in the commercial tax system**

The commercial tax rate for special goods - which previously ranged from 5% to 120% - is now uniformly 5%. However, in addition to commercial tax, special goods tax now applies (see above).

The list of goods exempt from commercial tax has been slightly enlarged. It now contains, amongst others, aviation jet fuel for outbound aircraft and machines, equipment and their spare parts for aircraft and helicopters.

Commercial tax on exports has been largely abolished. Only the export of electricity (tax rate: 8%) and crude oil (tax rate: 5%) is still subject to commercial tax.

State-owned Myanma Petroleum Products Enterprise, which previously could import aviation jet fuel at a privileged commercial tax rate of 5% instead of 10%, has lost this privilege. The import of aviation jet fuel is now uniformly subject to 5% commercial tax and 5% special goods tax.

The list of services exempt from commercial tax has been slightly enlarged and now, amongst others, also includes investment marketing services.

The commercial tax rate for the transport of passengers on domestic flight routes has been reduced from 5% to 3%.

**3. Changes in the income tax system**

Employees now only become subject to income tax if their annual salary income exceeds Ks. 4,800,000 (previously, the threshold was Ks. 2,000,000).

The tax rates on "income that has escaped assessment" (i.e., previously unreported income that has come to the attention of the tax authorities) have been significantly raised; they are now as follows:

| Income discovered by the tax authorities | Income tax rate |
|---|---|
| Ks. 1 - 30,000,000 | 15% |
| Ks. 30,000,000 - 100,000,000 | 20% |
| Ks. 100,000,001 and above | 30% |